

BAY AREA
AIR QUALITY



TRANSPORTATION
FUND FOR
CLEAN AIR

2006

Transportation **F**und for **C**lean **A**ir --- ---

Regional Fund Application Guidance

**Bay Area Air Quality Management District
939 Ellis Street, San Francisco, CA 94109
May 2006**

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SUMMARY OF FISCAL YEAR 2006/07 CHANGES

Application Deadline: All fiscal year (FY) 2006/07 TFCA Regional Fund applications must be received by the Bay Area Air Quality Management District (Air District) by **4:00 PM on Monday, July 24, 2006.**

Revised TFCA Regional Fund Policies: TFCA Regional Fund policies for FY 2006/07 are presented in Appendix A. Please note that the policies have been revised and renumbered. Significant policy changes are outlined below:

- The proposed TFCA Policies and Evaluation Criteria apply only to the Regional Fund. Policies regarding the TFCA Program Manager Fund and Vehicle Incentive Program (VIP) are no longer contained in this guidance document.
- Policy #5, *Eligible Recipients*, has been expanded to allow non-public entities to apply for funding to implement eligible clean air vehicle projects, as allowed in recent amendments to the TFCA-enabling legislation (AB 694, Chan).
- Policy #8, *Authorizing Letter of Commitment*, now allows for a letter of commitment, submitted with the grant application by the project sponsor, as opposed to the previous year's requirement for a resolution from a governing body.
- Policy # 10, *Maximum Amount*, establishes a grant award limit of \$500,000 in TFCA Regional Funds for a single non-public entity.
- Policy #16, *Signed Funding Agreement*, reduces the amount of time a project sponsor is allowed to sign a funding agreement, from three (3) months to two (2) months, after the corresponding funding agreement has been transmitted by the Air District to the project sponsor.
- Policies regarding light-duty clean air vehicles (Policies #27 and #28 in FY 2005/2006) were deleted and will be considered in future VIP guidelines.
- Policy #24, *Heavy-Duty Clean Air Vehicles*, no longer requires all project sponsors that purchase a new heavy-duty vehicle to scrap, or to install retrofit devices on, existing operational heavy-duty diesel vehicles in their fleets. Project sponsors with model year 1993 or older diesel heavy-duty vehicles in their fleet are required to scrap one of these vehicles for each new vehicle purchased or leased with TFCA funds. Project sponsors with only model year 1994 and newer vehicles in their fleet may, but are not required to, scrap an existing operational diesel within their fleet. Emission reductions from project sponsors that scrap an eligible existing operational heavy-duty diesel vehicle in their fleet will be accounted for in the cost-effectiveness of the project. TFCA funds will not cover the cost of the scrapped vehicle.
- Policy #27, *Clean Air Vehicle Infrastructure*, limits funding to advanced technology infrastructure for alternative fuels.
- *Scoring Criteria Discussion* establishes different minimum scores for public and non-public entities (40 versus 36 points) because non-public entities are not eligible to receive points under the criterion *Clean Air Policies and Programs*.

REMINDER CHECKLIST

- ☐ Read through this Application Guidance booklet, including the evaluation criteria in Section II and the TFCA policies in Appendix A.
- ☐ Attend the TFCA application workshop at **2:00 PM on Tuesday, June 13, 2006 at the Air District**. The workshop is especially recommended for new applicants. Attendance at the workshop is not required to apply for funds. Directions to the Air District are available on our website at: www.baaqmd.gov/dst/directions/index.asp.
- ☐ Applicants are strongly encouraged to discuss their project with Air District staff prior to submitting an application (staff contact list provided below).
- ☐ Application must include Parts 1-7, plus the applicable Supplementary Project Information Sheet(s), Parts 8-15, for your project type.

I. REGIONAL FUND SUMMARY

Transportation Fund for Clean Air

This document describes the Transportation Fund for Clean Air (TFCA) program's Regional Fund and explains how to apply for a grant in the FY 2006/07 funding cycle. The Bay Area Air Quality Management District (Air District), in conjunction with the Department of Motor Vehicles (DMV), collects a \$4 surcharge on motor vehicle registrations paid within the Air District's jurisdiction. The surcharge provides funding for the Air District's Transportation Fund for Clean Air. TFCA funds are distributed to public agencies and non-public entities to implement projects to reduce air pollution from motor vehicles in accordance with the requirements of State law and the Air District's *Bay Area 2005 Ozone Strategy*.

The statutory authority for the TFCA, the eligible types of projects, and the requirements that govern administration of the program are set forth in California Health and Safety Code Sections 44241 and 44242.

The Air District's objectives for the TFCA are to fund the most cost-effective projects that reduce motor vehicle emissions, and to support implementation of the transportation control measures (TCMs) and mobile source measures in the *Bay Area 2005 Ozone Strategy*.

Schedule for FY 2006/07 TFCA Regional Fund Cycle

Tuesday, June 13, 2006	Workshop for project applicants at 2:00 PM
Monday, July 24, 2006	Deadline to submit Regional Fund applications
September 2006	Proposed grants reviewed by Air District's Mobile Source Committee (tentative)
October 2006	Grant allocations approved by Air District Board of Directors (tentative)

Who Can Apply

Any public agency sponsoring an eligible project within the jurisdiction of the Air District is eligible to apply for TFCA Regional Fund grants. Eligible public agencies include cities, counties, transit districts, school districts, and other special purpose agencies. Non-public entities can also apply for TFCA grants, directly or via a public agency, to sponsor and implement clean air vehicle projects only. The Air District encompasses all of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara counties, and the southern parts of Solano and Sonoma counties.

Eligible Project Types

The following project types are eligible for funding under the Regional Fund:

- **Ridesharing:** The implementation of ridesharing programs.¹
- **Heavy-Duty Clean Air Vehicles:** The purchase or lease of clean fuel buses for school districts and transit operators.
- **Shuttle/Feeder Bus Service:** The provision of local feeder bus or shuttle service to rail and ferry stations and to airports.
- **Arterial Management:** Implementation and maintenance of local arterial traffic management, including, but not limited to, signal timing, transit signal preemption, bus stop relocation and "smart streets."
- **Transit Information and Integration:** Implementation of rail-bus integration and regional transit information systems.
- **Telecommuting/Congestion Pricing:** Implementation of demonstration projects in telecommuting projects and in congestion pricing of highways, bridges and public transit. No funds expended pursuant to this paragraph for telecommuting projects shall be used for the purchase of personal computing equipment for an individual's home use.
- **Vehicle-Based Projects:** Implementation of vehicle-based projects to reduce mobile source emissions, including, but not limited to, engine repowers, engine retrofits. Fleet modernization, alternative fuels, and advanced technology demonstrations.
- **Bicycle Projects:** Implementation of bicycle facility improvement projects that are included in an adopted countywide bicycle plan or congestion management program.
- **Smart Growth/Traffic Calming:** The design and construction by local public agencies of physical improvements that support development projects that achieve motor vehicle emission reductions. The projects and the physical improvements shall be identified in an approved area-specific plan, redevelopment plan, general plan, traffic calming plan, or other similar plan (e.g., bicycle plan or pedestrian plan). Note: these projects are included in what is usually referred to as the "smart growth" project type.

Available Funds

Approximately \$12 million will be available for distribution via the competitive Regional Fund in FY 2006/07. The minimum Regional Fund grant for a single project is \$10,000 and the maximum grant is \$1.5 million for public agencies and \$500,000 (single grant or combined grants) for non-public entities.

Funding Agreements

Project sponsors will be notified by mail after projects are approved for funding by the Air District Board of Directors. Air District staff will prepare project funding agreements that set forth the terms, conditions, and monitoring and reporting requirements of each TFCA grant. The Air District will not execute a funding agreement for an approved TFCA grant until all project funding has been approved and secured.

¹ For purposes of TFCA Regional Fund applications, "ridesharing" means carpooling, vanpooling, or transit.

How Grant Recipients Will Receive Funds

The payment schedule will be established in the funding agreement for each project. No funds will be released until the funding agreement has been signed by the project sponsor and the Air District. In general, payment will be made on a reimbursement basis, after project costs are incurred and documented.

Eligible Project Costs

Appendix C provides additional guidance explaining eligible TFCA project costs. Please note that all project costs, including administrative costs and indirect costs, must be identified in the original project application and must be included in the project budget in the TFCA Funding Agreement in order to be eligible for reimbursement.

Project sponsors may only incur project costs as of the date of grant award approval by the Air District Board of Directors. The Air District will not fund any portion of an applicant's cost of preparing and submitting an application. Any project sponsor receiving funds must expend the funds within two years of the effective date of the Funding Agreement, unless a longer period is approved in advance by the Air District. **Administrative costs are limited by law to a maximum of five percent (5%) of total TFCA funds expended on a project.**

Air District Staff Contacts

Applicants are strongly encouraged to discuss their applications with Air District staff prior to submittal. Air District staff can provide assistance in preparing project applications, and in identifying necessary data to evaluate the potential emission reductions for the project. Please direct your questions to the Air District contact for your type of project.

Project Type	Contact	Telephone No.	E-mail Address
Bicycle Projects	Alison Kirk	(415) 749-5169	akirk@baaqmd.gov
Heavy-Duty Vehicle-Based Projects	Joseph Steinberger	(415) 749-5018	jsteinberger@baaqmd.gov
Shuttles/Feeder Bus Service, Rideshare Programs, Transit Information/Integration	Andrea Gordon	(415) 749-4940	agordon@baaqmd.gov
Arterial Management, Smart Growth/Traffic Calming, Telecommuting/Congestion Pricing	Geraldina Grünbaum	(415) 749-4956	ggrunbaum@baaqmd.gov

I. EVALUATION CRITERIA AND SCORING

In addition to complying with other policies, including achieving cost-effectiveness better than \$90,000 per ton, both public agencies and non-public entities are eligible to receive points under Criteria 1, 2, 3, and 5. Only public agencies are eligible to receive points under Criterion 4. The maximum possible score for a public agency is 100 points and the maximum possible score for a non-public entity is 90 points. Projects will be ranked by the percentage of total eligible points scored (100 for public agencies and 90 for non-public entities) in descending order. A public agency must achieve a minimum score of 40 points to be considered for funding while a non-public entity must achieve a minimum of 36 points to be considered for funding. In the event that two or more projects achieve an equal score, project ranking will be determined by TFCA funding effectiveness (Criterion #1). The project with the best TFCA funding effectiveness will receive priority.

Available TFCA Regional Funds will be allocated to projects beginning with the highest ranking project and proceeding in sequence to lower-scoring projects, to fund as many eligible projects as available funds can fully cover. The point where the next-ranked eligible project cannot be fully funded defines the cut-off point for the funding cycle, i.e., all projects above this point will be funded. Any remaining available funds are generally allocated to projects in the subsequent funding cycle. No partial grant awards will be made; however, grant awards may be reduced from the original application request by mutual consent of the project sponsor and the Air District.

FY 2006/07 TFCA Regional Fund Scoring Criteria

Criteria	Maximum Points
1. TFCA Funding Effectiveness*	60
2. Greenhouse Gas Emission Reductions*	10
3. Other Project Attributes*	10
4. Clean Air Policies and Programs**	10
5. Disadvantaged and PM Impacted Communities*	10
Total	100

* Public agencies and non-public entities eligible to receive points

** Only public agencies eligible to receive points

DISCUSSION

Criterion 1: TFCA Funding Effectiveness: [maximum 60 points]

This criterion is designed to measure the cost-effectiveness of a project in reducing air pollutant emissions and to encourage projects that contribute funding from other, non-TFCA sources in excess of required matching funds. TFCA funds budgeted for the project (both TFCA Regional Funds and TFCA County Program Manager Funds combined) will be divided by the estimated lifetime emission reductions for the project. The estimated lifetime emission reductions is the sum of reactive organic gases, oxides

of nitrogen, and weighted particulate matter² that will be reduced over the life of the project. Air District staff will determine the estimated emission reductions and TFCA funding effectiveness for the project.

The point scale for awarding points for this criterion is presented below.

Point Scale for Criterion 1

TFCA \$/Ton			Points	TFCA \$/Ton			Points
\$0		\$19,999	60	\$56,000	-	\$57,999	41
\$20,000	-	\$21,999	59	\$58,000	-	\$59,999	40
\$22,000	-	\$23,999	58	\$60,000	-	\$61,999	39
\$24,000	-	\$25,999	57	\$62,000	-	\$63,999	38
\$26,000	-	\$27,999	56	\$64,000	-	\$65,999	37
\$28,000	-	\$29,999	55	\$66,000	-	\$67,999	36
\$30,000	-	\$31,999	54	\$68,000	-	\$69,999	35
\$32,000	-	\$33,999	53	\$70,000	-	\$71,999	34
\$34,000	-	\$35,999	52	\$72,000	-	\$73,999	33
\$36,000	-	\$37,999	51	\$74,000	-	\$75,999	32
\$38,000	-	\$39,999	50	\$76,000	-	\$77,999	31
\$40,000	-	\$41,999	49	\$78,000	-	\$79,999	30
\$42,000	-	\$43,999	48	\$80,000	-	\$81,999	29
\$44,000	-	\$45,999	47	\$82,000	-	\$83,999	28
\$46,000	-	\$47,999	46	\$84,000	-	\$85,999	27
\$48,000	-	\$49,999	45	\$86,000	-	\$87,999	26
\$50,000	-	\$51,999	44	\$88,000	-	\$89,999	25
\$52,000	-	\$53,999	43	\$90,000	-	and above	0
\$54,000	-	\$55,999	42				

Criterion 2: Greenhouse Gas Emission Reductions [maximum 10 points]

This criterion will award a maximum of 10 points (sliding scale 0-10 points) for projects that reduce greenhouse gas emissions, such as carbon dioxide. Inherently, projects that promote alternative modes of transportation and reduce single occupant vehicle trips (e.g., transit, ridesharing, bicycling, and walking), as well as projects that improve motor vehicle fuel economy, will reduce greenhouse gas emissions. This criterion is designed to reward projects that reduce greenhouse gas emissions. TFCA funds budgeted for the project will be divided by the estimated lifetime emission reductions of greenhouse gases for the project. Air District staff will determine the estimated emission reductions, TFCA funding effectiveness, and scale for awarding points.

² Particulate matter emissions includes tailpipe PM, as well as brake particles, tire particles, and re-entrained road dust. Consistent with CARB methodology to calculate PM emission reductions for the Carl Moyer Program, weighted PM emissions will be calculated by adding the tailpipe PM multiplied by a factor of 20, plus the sum of tire, brake, and road dust PM.

Criterion 3: Other Project Attributes [maximum 10 points]

The purpose of this criterion is to provide a mechanism in the evaluation and scoring process to identify and assess desirable project attributes that are not captured in the analysis of TFCA funding effectiveness. Projects may score points under this criterion based upon other project attributes identified for each project type. The specific project attributes for each project type will be identified after project applications have been received and reviewed.

Criterion 4: Clean Air Policies and Programs [maximum 10 points]

The purpose of this criterion is to recognize and encourage efforts of public agencies to implement policies and programs that promote the region's air quality objectives, especially land use and transportation policies that help to reduce air pollution from motor vehicles.

To receive points for this criterion, the sponsoring agency must describe its policies and actions to implement the transportation control measures (TCMs) in the most recently adopted strategy(ies) for State and national ozone standards throughout the agency's jurisdiction. Points will be awarded based upon the performance of the project sponsor in implementing those elements of each TCM, which are within the purview of the sponsor agency. Non-public entities are not eligible for points under this criterion.

Criterion 5: Disadvantaged and PM Impacted Communities [maximum 10 points]

This criterion will award a maximum of 10 points (sliding scale 0-10 points) for projects that directly reduce emissions in economically disadvantaged communities and communities with high PM exposure. For purposes of this criterion, economically disadvantaged communities are defined in a report entitled A Guide to the Bay Area's Most Impoverished Neighborhoods, prepared for the Bay Area Partnership by the Northern California Council for the Community. Forty-six disadvantaged communities throughout the Bay Area are identified in this report. To qualify for points, a project must directly benefit one or more of these communities. The project sponsor must: 1) identify the census tracts in the disadvantaged community that will benefit from the project, 2) specify the percentage of project resources or services that will be delivered to the identified disadvantaged community, and 3) provide a clear explanation as to how the project directly benefits residents in that community. The number of points awarded will be based upon the percentage of project resources that directly benefit the community, and the extent to which the project sponsor demonstrates this benefit.

A PM Impacted Community is any community that falls within the top 60% of total aggregate potential PM_{2.5} exposure for the Bay Area. Potential PM exposure is calculated based upon annual person-tons exposure for children and elderly within each community. Areas with the highest potential PM_{2.5} exposure will receive more points. To qualify for points, the grant application must demonstrate that the project would reduce PM emissions in an Impacted Community.

III. GUIDELINES FOR SPECIFIC PROJECT TYPES

This section provides guidelines and tips for some of the eligible project types. Please note that there are project types eligible for TFCA funding for which no information is provided under Strengthening Your Application because projects in these categories vary so significantly or so little that guidelines do not apply. Under each project type listed below, **Basic Eligibility** identifies the applicable policies. **Strengthening Your Application** specifies project characteristics that Air District staff has determined improve cost-effectiveness. This information is advisory in nature. The specific cost-effectiveness of each project will be determined on a case-by-case basis.

Shuttle/Feeder Bus Service

Basic Eligibility: Applications for shuttle/feeder bus projects must meet applicable requirements outlined in TFCA Policies #12 and #28, Appendix A.

Strengthening Your Application: Projects with the following characteristics are typically more cost-effective in reducing emissions:

- Shuttle operates during the peak-period only
- Shuttle route serves a large business park or employment hub
- Service is provided using clean fuel, low-emission vehicles (natural gas, electric, or hybrid electric). Use of alternative fuel shuttle vehicles is not a requirement, provided that applicant demonstrates compliance with the particulate matter standard as outlined in Policy #28
- At least 50% of the shuttle cost is paid through a non-TFCA funding source (e.g., private sector)

Ridesharing and Transit Information/Integration

Basic Eligibility: Applications for ridesharing, rail-bus integration, and regional transit information projects must meet the requirements outlined in TFCA Policies #12 and #19, Appendix A.

Strengthening Your Application: Applications should demonstrate a strong potential to shift trips from single occupant vehicles to an alternative mode of transportation in a cost-effective manner. Projects with the following characteristics are typically more cost-effective in reducing emissions:

- Transit Information: Project will provide transit information for the nine Bay Area counties
- Rail-Bus Integration: Project will facilitate transfers between regional and local transportation systems

Bicycle Projects

Basic Eligibility: Applications for bicycle facility improvements must meet the requirements outlined in TFCA Policy #29, Appendix A.

Strengthening Your Application: Bicycle project applications should demonstrate a strong potential to reduce motor vehicle trips by providing bicycle facilities for commute trips, trips to school, shopping, errands, etc. Applications are encouraged for bicycle projects that will:

- Enhance bicycle access to major activity centers
- Enhance bicycle access to transit stations and transit systems
- Close gaps in existing bicycle networks
- Eliminate or mitigate significant safety hazards in the existing road network

Notes: 1) Projects that will be used primarily for recreational bicycle use are not likely to compete successfully for TFCA funds.

2) Off-road bicycle paths typically have higher costs; these projects generally do not score well unless the applicant commits significant matching funds to the project.

Heavy-Duty Clean Air Vehicles

Basic Eligibility: Applications from both public agencies and non-public entities for new heavy-duty clean air vehicles must meet the applicable requirements outlined in TFCA Policies #24 and #26, Appendix A.

Strengthening Your Application: Applicants with only model year 1994 and newer vehicles in their fleet are encouraged to scrap an existing operational diesel vehicle in their fleet because the emission reductions associated with scrapping will be accounted for in calculating the overall emission reductions for the project.

Smart Growth/Traffic Calming

Basic Eligibility: Applications for smart growth and traffic calming must meet the requirements outlined in TFCA Policy #31, Appendix A.

For Smart Growth projects that include bicycle elements, also see *Bicycle Facility Improvements*.

Strengthening Your Application: Applications should demonstrate a strong potential to reduce motor vehicle trips by improving mobility via walking, bicycling, and transit. Projects with the following characteristics are typically more cost-effective in reducing emissions:

- Project is located along high volume transit corridors
- Project is associated with a multi-modal transit center
- Project supports high-density mixed-use development
- Project will redevelop or infill existing high-density communities

- Project is located near major activity centers such as schools, transit centers, civic or retail centers
- Project is supported by the affected neighborhood community

Street and building beautification projects that are not likely to directly reduce motor vehicle emissions will not compete successfully for TFCA funds.

Site-specific traffic calming projects are eligible to receive TFCA funding only if they are part of an approved area-specific plan.

Arterial Management

Basic Eligibility: Applications for arterial management must meet the requirements outlined in TFCA Policy #30, Appendix A.

For arterial management projects that include bicycle elements, also see the section on *Bicycle Facility Improvements*. For projects that include pedestrian elements, see the section on *Smart Growth/Traffic Calming* above.

Strengthening Your Application: Arterial management project applications should demonstrate a strong potential to reduce motor vehicle trips by improving transit, bicycling, and pedestrian mobility. Applications are encouraged for arterial management projects that will:

- Reduce transit headways and speed transit service
- Promote mode shift from motor vehicles to transit, bicycling or walking
- Incorporate means to reduce delays to transit, bicycles, pedestrians, and motor vehicles

Projects to perform routine maintenance of signal systems are not eligible for TFCA funding. Projects that increase vehicle speeds above 30 miles per hour and high technology solutions, such as fiber optic installations to interconnect traffic signals, are not likely to compete successfully for TFCA funds.

IV. APPLICATION INSTRUCTIONS

Application Process

This section includes instructions on how to apply for TFCA Regional Funds. There are three ways to obtain a TFCA Regional Fund application form:

- Air District web site: Go to www.baaqmd.gov, click on “Grants & Incentives”, then “Transportation Fund for Clean Air”, then “Regional Fund”, then “2006 TFCA Regional Application Form”
- By e-mail request to grants@baaqmd.gov
- By telephone request via the TFCA document request line at (415) 749-4994

Applications must be received at the Air District's offices by **4:00 PM on Monday, July 24, 2006**. **No extensions of this deadline will be granted.** Applications via e-mail or fax machine will not be accepted.

Submit two hard copies of each application to:

Juan Ortellado
Grant Programs Manager
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

Hand delivered applications should be brought directly to the address above.

Applications submitted on or before the July 24, 2006 deadline shall be evaluated for content before being considered to constitute complete submittals. Once submitted, applications cannot be altered or revised without the consent of the Air District. The Air District may request additional information from the project sponsor to clarify an application or to help analyze the emission reduction benefit of the proposed project.

Instructions

All applicants must complete the FY 2006/07 TFCA Regional Fund application form. A separate application form must be submitted for each project. For heavy-duty clean air vehicle projects (school and transit bus projects, and heavy-duty vehicles), separate applications must be completed for each fuel type (i.e., natural gas only, electric vehicles only) and for each of the following categories of vehicles: 1) transit buses; 2) shuttle buses, 3) school buses; 4) heavy-duty vehicles (other than buses), and 5) other vehicle types. For example, a project sponsor seeking funding for a heavy-duty electric vehicle and a heavy-duty natural gas vehicle will need to submit two separate applications.

Complete Parts 1 through 7 of the application form. In addition, complete the appropriate supplementary information sheet(s) that corresponds to your project type (Parts 8 through 15), as explained below. Applicants may attach additional information as needed.

Part 1: Summary Information

Provide all information requested.

Part 2: Project Description

Provide a concise project description. Explain how the project will help to reduce motor vehicle emissions. Provide all information requested. Attach additional information (e.g., maps and diagrams), as appropriate.

Part 3: Implementation Schedule

Provide a detailed implementation schedule, including project start date, completion date, and key implementation milestones. Your implementation schedule must comply with the TFCA project-readiness policy; see Policy #11 in Appendix A.

Part 4: Budget

Provide a breakdown of the total project budget, including line item detail, if available. The project budget should identify direct project implementation costs, and should also specifically identify any TFCA administrative costs for which the applicant intends to seek reimbursement. See Appendix C for further explanation.

All costs must be identified in the project budget in the original application, as well as in Attachment A of the TFCA Funding Agreement, in order to be eligible for reimbursement. Planning activities that are not directly related to implementation of the project will not be funded. A maximum of five percent (5%) of the total TFCA funds expended on a project may be used for TFCA administrative costs (i.e., the costs of administering the TFCA grant).

Part 5: Funding

List the amount of TFCA Regional Funds requested, as well as any TFCA Program Manager Funds allocated to the project. Specify the amount and source of all other project funds. Documentation of matching funds in the form of a resolution, adopted budget, letter of funding commitment, or contract is to be submitted with the application. If this documentation is not available at the time the application is submitted, indicate when it will be provided to the Air District.

Part 6: Clean Air Policies and Programs (Criterion #4) – Public Agencies Only

To apply for points based upon implementation of the Transportation Control Measures (TCMs) in the strategy(ies) to comply with State and national ozone standards most recently adopted by the Air District (see Criterion #4 above), complete this section. Check the box for each TCM that your agency is implementing. On the following page, provide a brief paragraph summarizing the policies and actions that your agency has taken to implement each TCM. Submission of TCMs without the requested description will not qualify for points. Provide a description only; Air District staff will notify you if supporting documentation is required.

Part 7: Project Information

Provide appropriate documentation as noted.

All applications must include an Authorizing Letter of Commitment approving the submittal of the proposal and identifying the individual authorized to submit and carry out the proposal.

Part 8 through 15: Supplementary Project Information Sheets

Complete and submit the supplementary sheet(s), which corresponds to your project type only.

Project Type	Supplementary Part
Ridesharing	Part 8
Shuttle/Feeder Bus Service	Part 8 and Part 9
Vanpools	Part 8 and Part 9
Transit Information and Integration	Part 8
Smart Growth/Traffic Calming	Part 8
Arterial Management	Part 10 (Sections A-C)
Transit Signal Priority	Part 10 (Section D only)
Bicycle Projects Paths/Lanes/Routes)	Part 11
Bicycle Projects (Racks/Lockers)	Part 12
Heavy-Duty Clean Air Vehicles	Part 13
Heavy-Duty Vehicle Repowers	Part 14
Heavy-Duty Vehicle Retrofits	Part 15

APPENDIX A

BOARD-ADOPTED TRANSPORTATION FUND FOR CLEAN AIR (TFCA) POLICIES FOR FY 2006/07

The following policies apply only to the TFCA Regional Fund. These guidelines do not apply to the TFCA County Program Manager Fund or the Vehicle Incentive Program (VIP).

BASIC ELIGIBILITY

- 1. Reduction of Emissions:** A project must result in the reduction of motor vehicle emissions within the Air District's jurisdiction to be considered eligible for TFCA funding. Projects that are subject to emission reduction regulations or other legal obligations must achieve surplus emission reductions to be considered for TFCA funding. Surplus emission reductions are those that exceed the requirements of applicable regulations or other legal obligations at the time the Air District Board of Directors approves a grant award. Planning activities (e.g., feasibility studies) that are not directly related to the implementation of a specific project are not eligible for TFCA funding.
- 2. TFCA Cost-Effectiveness and Minimum Score:** The Air District Board of Directors will not approve any grant application for TFCA Regional Funds for a project that has: a) a TFCA cost- (i.e., funding) effectiveness level equal to or greater than \$90,000 of TFCA funds per ton of total reactive organic gases (ROG), oxides of nitrogen (NO_x), and weighted particulate matter less than 10 microns in diameter (PM₁₀) emissions reduced (\$/ton); b) a score of less than 40 points (out of a possible 100 points for public agencies) and less than 36 points (out of a possible 90 points for non-public entities) based upon the project evaluation and scoring criteria listed in Section II of the Regional Fund Guidance document.
- 3. Consistent with Existing Plans and Programs:** All projects must conform to the types of projects listed in the California Health and Safety Code Section 44241 and the transportation control measures and mobile source measures included in the Air District's most recently approved strategy(ies) for State and national ozone standards and, when applicable, with other adopted State and local plans and programs.
- 4. Viable Project:** Each grant application should identify sufficient resources to complete the respective project. Applications that are speculative in nature, or contingent on the availability of unknown resources or funds, will not be considered for funding.

- 5. Eligible Recipients:** TFCA funds may be awarded to public agencies and non-public entities. Eligible recipients must be responsible for the implementation of the project and have the authority and capability to complete the project. Non-public entities may only be awarded TFCA funds to implement clean air vehicle projects to reduce mobile source emissions within the Air District's jurisdiction for the duration of the useful life of the vehicle(s), including, but not limited to, engine repowers, engine retrofits, fleet modernization, alternative fuels, and advanced technology demonstration projects. All grant recipients shall enter into a funding agreement with the Air District as a written, binding agreement to implement the approved project.
- 6. Non-Public Entities:** A public agency may apply for TFCA funds for clean air vehicles on behalf of a non-public entity. As a condition of receiving TFCA funds on behalf of a non-public entity, the public agency shall enter into a funding agreement with the Air District and provide a written, binding agreement to operate the clean air vehicle(s) within the Air District's jurisdiction for the duration of the useful life of the vehicle(s).
- 7. Matching Funds:** The Air District will not enter into a funding agreement for a project with an approved grant award until all project funding has been approved and secured. For project applications requesting greater than \$150,000 in TFCA Regional Funds, project sponsors must provide matching funds from non-TFCA sources, which equal or exceed 10% of the total project cost. TFCA County Program Manager Funds do not count toward fulfilling the non-TFCA matching funds requirement. Grant applications for TFCA Regional Funds of \$150,000 or less may request 100% TFCA funding.
- 8. Authorizing Letter of Commitment:** Regional Fund grant applications must include a signed letter of commitment from an individual with authority to enter into a funding agreement and carry out the project (e.g., Chief Executive/Financial Officer, Executive Director, City Manager, etc.). Applications submitted without a letter of commitment will be returned to the sponsor and will not be scored if the letter of commitment is not received within thirty (30) calendar days after the application submittal deadline.
- 9. Minimum Amount:** Only projects requesting \$10,000 or more in TFCA Regional Funds will be considered for funding.
- 10. Maximum Amount:** No single public agency project may receive more than \$1,500,000 in TFCA Regional Funds in any given fiscal year. No single non-public entity may be awarded more than \$500,000 in TFCA Regional Funds in any given fiscal year.
- 11. Readiness:** A project will be considered for TFCA funding only if the project will commence in calendar year 2007 or sooner. For purposes of this policy, "commence" means to order or accept delivery of vehicles or other equipment being purchased as part of the project, to begin delivery of the service or product provided by the project, or to award a construction contract.

- 12. Maximum One Year Operating Costs:** For TFCA grant applications that request operating funds to provide a service, such as ridesharing programs, bicycle stations, and shuttle and feeder bus projects, the Air District will provide funding on an annual basis: i.e., the Air District will approve funding for one (1) annual budget cycle. Applicants who seek TFCA Regional Funds for additional years must re-apply for funding in the subsequent funding cycles.
- 13. Project Revisions:** If project revisions become necessary, the revised project must be within the same eligible project category and receive a point score higher than the funding cut-off point, based upon the scoring criteria, for the year in which the project originally received a grant award. Project revisions initiated by the sponsor, which significantly change the project before the allocation of funds by the Air District Board of Directors will not be accepted.

APPLICANT IN GOOD STANDING

- 14. Monitoring and Reporting:** Project sponsors who have failed to fulfill monitoring and reporting requirements for any previously funded TFCA Regional Fund project will not be considered for new funding for the current funding cycle, and until such time as the unfulfilled obligations are met.
- 15. Failed Audit:** Project sponsors who have failed either the fiscal audit or the performance audit for a prior TFCA-funded project will be excluded from future funding. Existing TFCA funds already awarded to the project sponsor will not be released until all audit recommendations and remedies have been implemented. A failed fiscal audit means an uncorrected audit finding that confirms an ineligible expenditure of TFCA funds. A failed performance audit means that the project was not implemented as set forth in the project funding agreement.
- 16. Signed Funding Agreement:** Project sponsors must sign a Funding Agreement within two (2) months from the date it has been transmitted to them in order to remain eligible for the awarded TFCA grant. The Air District may authorize extensions for just cause. Project applications will not be considered from project sponsors who were awarded TFCA grants in a previous year and have not signed a Funding Agreement with the Air District by the current application deadline.
- 17. Implementation:** Project sponsors that have a signed funding agreement for a prior TFCA-funded project, but have not yet implemented that project by the current application deadline will not be considered for funding for any new project. The phrase "implemented that project" means that the project has moved beyond initial planning stages and the project is being implemented consistent with the implementation schedule specified in the project funding agreement.

INELIGIBLE PROJECTS

- 18. Duplication:** Grant applications for projects that duplicate existing TFCA-funded projects and therefore do not achieve additional emission reductions will not be considered for funding. Combining TFCA County Program Manager Funds with TFCA Regional Funds to achieve greater emission reductions for a single project is not considered project duplication.

- 19. Employee Subsidy:** Grant applications for projects that provide a direct or indirect financial transit or rideshare subsidy exclusively to employees of the project sponsor will not be considered for funding. For projects that provide such subsidies, the direct or indirect financial transit or rideshare subsidy must be available, in addition to the employees of the project sponsor, to employees other than those of the project sponsor.

USE OF TFCA FUNDS

- 20. Combined Funds:** TFCA County Program Manager Funds may be combined with TFCA Regional Funds for the funding of an eligible project. For purposes of calculating TFCA funding effectiveness for TFCA Regional Funds (Evaluation Criterion #1), the TFCA County Program Manager Funds will be included in the calculation of the TFCA cost of the project.
- 21. Cost of Developing Proposals:** The costs of developing proposals for TFCA funding are not eligible to be reimbursed with TFCA funds.
- 22. Administrative Costs:** Administrative costs (i.e., the costs associated with administering a TFCA grant) are limited to a maximum of five percent (5%) of total TFCA funds expended on a project. To be eligible for reimbursement, administrative costs must be clearly identified in both the TFCA Regional Fund application project budget and in the project funding agreement.
- 23. Expend Funds within Two Years:** Any public agency or non-public entity receiving TFCA Regional Funds must expend the funds within two (2) years of the effective date of the funding agreement, unless a longer period is formally (i.e., in writing) approved in advance by the Air District.

CLEAN AIR VEHICLE (CAV) PROJECTS

Non-public entities may only apply for funding for clean air vehicle projects. No single non-public entity may be awarded more than \$500,000 in TFCA Regional Funds for clean air vehicle projects in each funding cycle.

24. Heavy-Duty Clean Air Vehicles

Eligibility: Heavy-duty vehicles are on-road motor vehicles with a gross vehicle weight (GVW) of 10,001 pounds or heavier. To qualify for TFCA funding, a heavy-duty vehicle project must provide surplus emission reductions beyond the requirements of any applicable State and federal standard or regulation.

Funding Participation: Project sponsors may be awarded TFCA funds to cover no more than the incremental cost of the new cleaner vehicle. Incremental cost is the difference in the purchase or lease price of the new clean air vehicle and its new diesel counterpart. However, public transit agencies that have elected to pursue the “alternative fuel” path under CARB’s urban transit bus regulation may apply for up to \$150,000 per alternative-fuel bus (30 ft. or longer).

Scrapping Requirements: Project sponsors of heavy-duty vehicles purchased or leased with TFCA funds that have model year 1993 or older heavy-duty diesel vehicles in their fleet are required to scrap one model year 1993 or older vehicle for each new vehicle purchased or leased with TFCA funds. Project sponsors with only model year 1994 and newer vehicles in their fleet may, but are not required to, scrap an existing operational diesel vehicle within their fleet. Emission reductions associated with scrapping an existing operational diesel vehicle will be accounted for in calculating the overall emission reductions for the project. TFCA funds will not cover the cost of the scrapped vehicle.

25. Reducing Emissions from Existing Heavy-Duty Diesel Engines:

Options available to reduce emissions from existing heavy-duty diesel engines include:

- a) Repowers – To be eligible for TFCA funding, the new engine selected to repower an existing heavy-duty vehicle must reduce emissions by at least 15% compared to the direct exhaust emission standards of the existing engine that will be replaced.
- b) Diesel Emission Control Strategies – Diesel emission control strategies compatible with existing heavy-duty diesel engines are eligible for TFCA funding, subject to the conditions described below:
 - 1) All control strategies must be approved by CARB to reduce emissions from the relevant engine.
 - 2) TFCA will fund, at most, the incremental cost (over what is standard or required by regulation) of the emission control strategy.
 - 3) Diesel emission control strategies must meet the applicable CARB standard for NO₂ emissions when the standard is put into effect and strategies are available that meet the standard.
 - 4) The project sponsor must install the highest level (most effective) diesel emission control strategy that is approved by CARB for the specific engine.
- c) Clean Fuels or Additives – Clean fuels or additives compatible with existing heavy-duty engines are eligible for TFCA funding, subject to the conditions described below:
 - 1) All clean fuels or additives must be approved by CARB to reduce emissions and for use with the relevant engine.
 - 2) TFCA will fund, at most, the incremental cost (over what is standard or required by regulation) of the clean fuel or additive.

- 26. Bus Replacements:** For purposes of transit and school bus replacement projects, a bus is any vehicle designed, used, or maintained for carrying more than fifteen (15) persons, including the driver. A vehicle designed, used, or maintained for carrying more than ten (10) persons, including the driver, which is used to transport persons for compensation or profit, or is used by any nonprofit organization or group, is also a bus. A vanpool vehicle is not considered a bus.
- 27. Clean Air Vehicle Infrastructure:** The TFCA Regional Fund may fund advanced technology infrastructure for alternative fuels. To be considered for TFCA funding, the infrastructure must be accessible, to the extent feasible, to other public agencies, private fleets, and the general public.

SHUTTLE/FEEDER BUS SERVICE PROJECTS

- 28. Shuttle/Feeder Bus Service:** Shuttle/feeder bus service projects are those requesting funds to operate a shuttle or feeder bus route. The route must go to or from a rail station, airport, or ferry terminal, and the project must:
- a) Be submitted by a public transit agency; or
 - b) Be accompanied by documentation from the General Manager of the transit agency that provides service in the area of the proposed shuttle route, which demonstrates that the proposed shuttle service does not duplicate or conflict with existing transit agency revenue service.

All shuttle/feeder bus service to rail or ferry stations must be timed to meet the rail or ferry lines being served.

Independent (non-transit agency) shuttle/feeder bus projects that received TFCA funding prior to FY 2004/05 and obtained a letter of support from all potentially affected transit agencies need not comply with “b” above unless funding is requested for a new or modified shuttle/feeder bus route.

All vehicles used in any shuttle/feeder bus service must meet the applicable CARB particulate matter (PM) standards for public transit fleets. For the purposes of TFCA funding, shuttle projects comply with these standards by using one of the following types of shuttle/feeder bus vehicles:

- a) an alternative fuel vehicle (CNG, LNG, propane, electric);
- b) a hybrid-electric vehicle;
- c) post-1994 diesel vehicle and a diesel emission control strategy approved by CARB to reduce emissions from the relevant engine; or
- d) a post-1989 gasoline-fueled vehicle.

No other types of vehicles, except for those listed in a through d above, are eligible for funding as shuttle/feeder bus service projects.

BICYCLE PROJECTS

- 29. Bicycle Projects:** New bicycle facility projects that are included in an adopted countywide bicycle plan or Congestion Management Program (CMP) are eligible to receive TFCA funds. For purposes of this policy, if there is no adopted countywide bicycle plan, the project must be in the county's CMP, or the responsible Congestion Management Agency must provide written intent to include the project in the next update of the CMP. Eligible projects are limited to the following types of bicycle facilities for public use: a) new Class-1 bicycle paths; b) new Class-2 bicycle lanes; c) new Class-3 bicycle routes; d) bicycle racks, including bicycle racks on transit buses, trains, shuttle vehicles, and ferry vessels; e) bicycle lockers; f) attended bicycle storage facilities; and g) development of a region-wide web-based bicycle trip planning system. All bicycle facility projects must, where applicable, be consistent with design standards published in Chapter 1000 of the California Highway Design Manual.

ARTERIAL MANAGEMENT PROJECTS

- 30. Arterial Management:** Arterial management project applications must specifically identify a given arterial segment and define what improvement(s) will be made to affect traffic flow on the identified arterial segment. Projects that provide routine maintenance (e.g., responding to citizen complaints about malfunctioning signal equipment) are not eligible to receive TFCA funding. Incident management projects on arterials are eligible to receive TFCA funding. Transit improvement projects include, but are not limited to, bus rapid transit and transit priority projects. For signal timing projects, TFCA funds may only be used for arterial management projects (excluding expressways and highways) where the affected arterial has an average daily traffic volume of 20,000 motor vehicles or more, or an average peak hour traffic volume of 2,000 motor vehicles or more.

SMART GROWTH PROJECTS

- 31. Smart Growth/Traffic Calming:** Physical improvements that support development projects and/or calm traffic, resulting in motor vehicle emission reductions, are eligible for TFCA funds subject to the following conditions: a) the development project and the physical improvements must be identified in an approved area-specific plan, redevelopment plan, general plan, bicycle plan, traffic-calming plan, or other similar plan; and b) the project must implement one or more transportation control measures (TCMs) in the most recently adopted Air District strategy for State and national ozone standards. Pedestrian projects are eligible to receive TFCA funding. Traffic calming projects are limited to physical improvements that reduce vehicular speed by design and improve safety conditions for pedestrians, bicyclists or transit riders in residential and retail areas.

APPENDIX B

Other Project Attributes for Evaluation Criterion #3 *Maximum 10 points total per Category*

Note: This list may be revised by Air District staff after project applications have been received and reviewed.

Shuttle/Feeder Bus Projects:

- a) Project utilizes alternative fuel vehicle (CNG, LNG, propane, electric).
- b) Project sponsor is a first-time TFCA shuttle/feeder bus project applicant.
- c) Project will receive at least 50% of funding from another (non-TFCA) funding source.
- d) The shuttle or feeder bus will provide links to multiple employment sites.

Bicycle Projects:

- a) Project improves access to a transit system or to transit terminals.
- b) Project improves access to activity centers (e.g. business parks, schools or colleges, retail districts) within 0.25 miles of facility.
- c) Project closes a key gap between existing segments of an eligible bicycle facility, or overcomes a key barrier in the local or regional bicycle network.
- d) Project enhances safety, or eliminates a serious hazard, for bicyclists.
- e) Project is included in the regional bicycle network identified in the Metropolitan Transportation Commission's adopted Regional Bicycle Plan.

Smart Growth Projects:

- a) Project is located along a high-volume transit corridor or associated with a multi-modal transit center.
- b) Project supports a Transportation for Livable Communities (TLC) project or a Safe Routes to School project. TLC projects can be viewed at the Metropolitan Transportation Commission's website at:
http://www.mtc.ca.gov/planning/smart_growth/tlc_grants.htm.
- c) Project will improve access to a new high-density mixed-use development, or to a redevelopment or infill project in an existing high-density community.
- d) Project will increase walking, bicycling, and transit use (all three modes).
- e) Project incorporates traffic-calming measures or devices.

Arterial Management Projects:

- a) Project provides for transit bus traffic signal prioritization.
- b) Project incorporates amenities that increase transit ridership: e.g., bus bulbs, next bus arrival information, queue jump lanes (short stretches that enable buses to by-pass waiting queues of traffic), etc.
- c) Faster transit service (i.e., increased bus speeds and shorter headways) resulting from the project will be coordinated with schedules for other transit services.
- d) Project incorporates arterial traffic calming measures or devices, or measures to enhance bicycle and pedestrian access and safety.

Clean Air Vehicle Projects:

- a) Project reduces exposure of sensitive populations (i.e. children, elderly, people with lung problems) to diesel exhaust. (Applicant must provide a map that identifies locations of sensitive populations such as schools, hospitals, and similar sites.)
- b) Project demonstrates viability of new advanced clean vehicle technology (e.g. fuel cells, natural gas hybrids, auxiliary power units).
- c) Project sponsor exceeds TFCA requirements to remove and destroy heavy-duty diesel vehicles (TFCA Policy #24).
- d) Project expands access to alternative fuel infrastructure network. (Points will be awarded based on project's contribution to enhancing the network of publicly-accessible alternative fuel infrastructure.)
- e) Project uses an alternative fuel vehicle (thus reducing use of diesel or gasoline).

Ridesharing; Rail-Bus Integration; Regional Transit Information Projects:

- a) Project provides multi-modal transfers between public transit systems (e.g., buses, ferries, rail, airlines) at transfer points.
- b) Project will improve schedule coordination between transit systems.
- c) Project will increase ridership on rail, buses line, and ferries by providing transfers or passes for these modes.
- d) Project will provide a financial incentive to participants to try an alternative mode of transportation (e.g. transit, carpool, vanpool).

APPENDIX C

GUIDELINES FOR ELIGIBLE TFCA REIMBURSABLE COSTS

The Transportation Fund for Clean Air (TFCA) enabling legislation allows the vehicle registration fees collected for the TFCA program to be used for Project Implementation Costs, as well as for Administrative Project Costs related to implementation of the project. Both Project Implementation Costs and Administrative Project Costs may be further divided into Direct and Indirect Costs. This appendix provides guidance differentiating Direct and Indirect Project Implementation Costs from Direct and Indirect Administrative Costs, as well as guidance on reporting and calculating these costs. The Air District will use the definitions and interpretations discussed below in the financial accounting of the TFCA program. The Air District conducts periodic audits on TFCA-funded projects to ensure that the TFCA funds have been spent in accordance with the guidelines established in this appendix.

Although allowed, many project sponsors choose not to charge any Administrative Project Costs to the TFCA program. Project sponsors that choose to charge Administrative Project Costs must comply with Health and Safety Code Section 44233 as interpreted in this appendix and Policy #22 in this guidance document. The Health and Safety Code states that not more than five percent (5%) of the TFCA funds distributed by the Air District can be used for Administrative Project Costs.

PROJECT IMPLEMENTATION COSTS

Project Implementation Costs are charges associated with carrying out the substance of a TFCA-funded project and can encompass both Direct and Indirect Costs.

DIRECT PROJECT IMPLEMENTATION COSTS

Direct Project Implementation Costs include the following:

- Documented hourly labor charges (salaries, wages, and benefits) directly and solely related to implementation of the TFCA project,
- Capital costs,
- Capital equipment installation costs,
- Equipment maintenance costs,
- Shuttle driver labor costs,
- Labor costs related to capital purchases,
- Operator or personnel training directly related to project implementation,
- Contractor labor charges related to the TFCA project, and
- Overhead costs associated with the previously mentioned costs.

The Direct Project Implementation Costs that are approved by the Air District will be outlined in Attachment A of the Funding Agreement. The project sponsor may seek reimbursement for these costs by providing proper documentation with project invoices. Such documentation must show how the Direct Project Implementation Costs were accrued, for example, by listing the date(s) when the hours were accrued, employees' job titles, employees' hourly pay rates, hours

hours worked, tasks being charged, and total charges. Documentation of hourly charges may be provided with timesheets or any other generally accepted accounting method to allocate and document staff time.

TFCA funds may be used to pay for travel and training costs only if these costs are directly related to the implementation of the TFCA-funded project. For example, the cost of training mechanics to service natural gas clean air vehicles is an allowable Direct Project Implementation Cost.

INDIRECT PROJECT IMPLEMENTATION COSTS

Indirect Project Implementation Costs are the reasonable overhead costs incurred to provide a physical place of work and other general support services and oversight related to the implementation of the TFCA-funded project. Indirect Project Implementation Costs associated with implementing the project might include rent, utilities, office supplies, computer, payroll, reproduction, mailroom support staff, and management oversight. Although the Health and Safety Code is silent on the issue of Indirect Project Implementation Costs, the Air District will reimburse project sponsors for these costs provided the project sponsor requests and justifies the reimbursement in the grant application (Regional Fund). District guidance on calculating Indirect Project Implementation Costs are provided in the last section of this appendix. A project sponsor may choose not to charge any Indirect Project Implementation Costs to a TFCA project. The accounting methods used by many public agencies do not include identification of Indirect Project Implementation Costs or the application of an indirect cost rate. The agency may determine that it would not be worth the effort to change their system.

ADMINISTRATIVE PROJECT COSTS

Administrative Project Costs are defined as costs associated with the administration of a TFCA project, and do not include project capital nor operating costs, discussed above. The combined Direct and Indirect Administrative Project Costs that are reimbursable to a project sponsor are limited to a maximum of five percent (5%) of the total TFCA funds received annually.

All reimbursement of both Direct and Indirect Administrative Project Costs must be requested and justified in writing in the project application (Regional Funds). If Administrative Project Costs are approved by the Air District, they will be identified in Attachment A of the Funding Agreement. The project sponsor may seek reimbursement for Direct and Indirect Administrative Project Costs by providing proper documentation with project invoices. Documentation for Direct Administrative Project Costs will show how these costs were accrued by listing the date(s) when the hours were accrued, employees' job titles, employees' hourly pay rates, hours worked, tasks being charged, and total charges. Documentation of hourly charges may be provided with time sheets or any other generally accepted accounting method to allocate and document staff time. The District recommends that documentation of Indirect Administrative Project Costs use the methodology provided at the end of this appendix.

Administrative Project Costs are limited to the following:

- Direct and indirect costs associated with entering into a TFCA Funding Agreement, including documented hourly labor and overhead costs (salaries, wages, and benefits) to review and sign the Funding Agreement. Hourly labor charges must be expressed on the basis of hours worked on the TFCA project. Note that costs incurred in the preparation of a TFCA application are not eligible for reimbursement;
- Accounting for TFCA funds; and
- Fulfilling all monitoring, reporting, and record-keeping requirements specified in the TFCA Funding Agreement, including the preparation of quarterly reports, invoices, and final reports.

REPORTING AND CALCULATING DIRECT AND INDIRECT PROJECT COSTS

The following methodology is recommended to determine Direct and Indirect Costs for both Project Implementation and Administrative Project Costs. In general, when expenses are shared among programs or functions within an organization, they are defined as Indirect Costs. Because Indirect Costs are shared among TFCA and other programs in an organization, they cannot be charged to TFCA in full. The project sponsor must determine the proportion of Indirect Costs that each program should bear. The Air District relies on OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* for determining appropriate Indirect Costs for TFCA projects. The Air District uses the following definition, consistent with the Circular: *Indirect costs are the reasonable overhead costs incurred in providing a physical place of work and in performing general support services and oversight. Examples include rent, utilities, office supplies, computer, payroll, reproduction, mailroom support staff, and management oversight.*

The District recommends that the Indirect Costs for a TFCA project be estimated based on actual indirect cost rates from the most recent fiscal audit of the agency. The following method is recommended:

1. For the most recent fiscal audit of the agency, identify all of the activities carried on by the project sponsor, and their costs.
2. Classify the activities as Project Implementation Costs or Administrative Project Costs, using the definitions provided above.
3. Classify the TFCA Implementation and Administrative activities and estimate their costs as Direct or Indirect Costs. Refer to OMB Circular A-87 for assistance.
4. Direct Project Implementation Costs may be charged to the Air District as line items in project invoices. Note that these costs must be documented as explained above.
5. Direct Administrative Project Costs may be charged to the Air District as line items in project invoices. Note that these costs must be approved in advance by the Air District, must be documented as explained above, and when combined with Indirect Administrative Project Costs, as calculated in 7b below, may not exceed the five percent (5%) cap.
6. Indirect Project Implementation Costs and Indirect Administrative Project Costs may be charged to the Air District as separate line items in project invoices by multiplying the indirect cost rate(s) calculated below by the Direct Project Implementation Costs and the Direct Administrative Project Costs.
7. Indirect Project Implementation Costs and Indirect Administrative Project Costs may be determined using the following method. This method assumes that the ratio of the Indirect Costs to total personnel expenses for all of an agency's activities is the same as for

implementation of the TFCA project(s) by that agency. The most recent agency financial audit should be used as the source of costs in calculating the indirect cost rate(s) below. The indirect cost rate(s) based on costs in the most recent audit are applied to the Direct Project Implementation Costs and Direct Administrative Project Costs to calculate the Indirect Project Implementation Costs and Indirect Administrative Project Costs.

- a. The Indirect Project Implementation Costs and Indirect Administrative Project Costs rates may be calculated separately or the same rate may be used for both costs using costs from an agency's most recent financial audit and the following methodology:

Step1 - Remove from the agency's total Indirect Costs any capital purchases or other unallowable costs. Unallowable costs include functions unrelated to the implementation of projects.

Step 2 - Calculate the agency's Direct Cost base as the total personnel expenses (all agency functions or programs) minus indirect personnel expenses (support functions or programs, unallowable personnel costs). Personnel expenses include salaries, wages, and benefits.

Step 3 - Divide the total remaining Indirect Costs by the Direct Cost base.

$$\text{Indirect Cost Rate} = \frac{(\text{Total Indirect Costs} - \text{Capital Purchases, External Contracts, and Unallowable Costs})}{(\text{Total Personnel Expenses} - \text{Indirect Personnel Expenses})}$$

- b. The TFCA Direct Project Implementation Costs and Direct Administrative Project Costs multiplied by the Indirect Cost rates will equal the amount of Indirect Costs recoverable as part of the TFCA Project Implementation Costs and Administrative Project Costs. Both the Indirect Project Implementation Costs and Indirect Administrative Project Costs may be charged to the Air District as line items in project invoices.

$$\text{Indirect Costs Recoverable From TFCA} = \text{TFCA Direct Costs (or Project Direct Costs)} \times \text{Indirect Cost Rate}$$